

Message Text

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PAGE 01 ISLAMA 04019 250258Z
ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 /089 W
-----045485 250458Z /21

R 241140Z APR WDI
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 6857
INFO AMEMBASSY TEHRAN

LIMITED OFFICIAL USE ISLAMABAD 4019

E.O. 11652: N/A
TAGS: EFIN, PK
SUBJECT: PAKISTAN'S FOREIGN EXCHANGE RESERVES

REF: STATE 102436

1. PAKISTAN'S RESERVES HAVE INCREASED EACH MONTH SINCE JULY 1977 EXCEPT FOR NOVEMBER AND FEBRUARY, FROM A LOW OF \$387.1 MILLION AT THE END OF JULY TO OVER \$603.5 MILLION AT THE END OF MARCH. REASON HAS BEEN THE SPECTACULAR INCREASE IN EMIGRANT REMITTANCES. THIS APPEARS TO HAVE BEEN THE MAJOR CAUSE OF THE 20 PERCENT INCREASE DURING MONTH OF MARCH WHEN EXCEPTIONAL RISE WAS ASSISTED BY ACCELERATION OF REMITTANCE PAYMENTS FOLLOWING TEMPORARY SLOW DOWN IN FEBRUARY.

2. IN FIRST TWO WEEKS OF APRIL, RESERVES FIRST INCREASED TO \$620.5 MILLION AND THEN FELL BACK TO \$601.9 MILLION.

3. BEHAVIOR OF RESERVES LAST NINE MONTHS HAS BEEN CONSISTENT WITH EMBASSY BALANCE-OF-PAYMENTS FORECAST (ISLAMABAD 3909). RESERVES COULD HOLD STEADY OVER NEXT SEVERAL MONTHS OR EVEN INCREASE MODERATELY DEPENDING ON: (1) WHAT HAPPENS TO DEFERRAL OF PAYMENTS
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ON IRANIAN LOAN, (2) WHETHER EMIGRANT REMITTANCES CONTINUE TO RISE, (3) WHAT HAPPENS TO OIL PRICES, (4) HOW MUCH COMMERCIAL WHEAT AND VEG OIL AND FERTILIZER IS IMPORTED, (5) HOW FAST ECONOMIC ACTIVITIES PICK UP AND (6) WHETHER GOP DECIDES TO ACCELERATE DEVELOPMENT PROJECTS INVOLVING CAPITAL GOODS IMPORTS. ON BALANCE, WE WOULD NOT EXPECT RESERVES TO CONTINUE TO INCREASE

INDEFINITELY AS THEY HAVE OVER THE LAST SEVERAL MONTHS AND
CERTAINLY NOT AS THEY DID IN MARH. NO MATTER WHAT HAPPENS OVER
THE NEXT MONTHS, SUPPRESSED DEMAND FOR IMPORTS SHOULD ULTIMATELY
CAUSE IMPORT GROWTH TO RISE TO MEET AVAILABLE FINANCING,
INCLUDING THE INCREASE IN FOREIGN EXCHANGE RESERVES.
HUMMEL

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

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TAGS: EFIN, PK
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